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Agricultural Trade News Briefs: Corn, Sugar, Coffee

by LADB Staff

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Mexican grain imports to rise steadily in next 10 years

Mexico's imports of corn and other grains are projected to rise steadily during the next decade as domestic production will not be sufficient to meet the country's domestic needs. A report published in early April by the Secretaria de Agricultura, Ganderia y Desarrollo Rural (SAGAR) said basic-grain imports will increase by 36% from current levels between 2000 and 2008. In 1998-1999, Mexico imported the equivalent of US\$8.63 billion of basic grains from the US and other countries, 17% of the country's total agricultural imports. SAGAR said corn imports in 2000-2001 are expected to reach 5.6 million metric tons, an increase of 400,000 MT from current levels.

By the 2008-2009 crop year, Mexico's corn-import needs are projected to reach 7.5 million MT. The SAGAR report said Mexico's domestic corn consumption is expected to total 13 million MT in 2000-2001, of which 43% will be used by the tortilla industry. Increased corn imports will be required despite relatively stable corn and grain production. In a separate report published in late March, SAGAR projected 1998 corn production, which includes both the spring-summer and fall-winter cycles, at 18.4 million MT. Total output of grains and oilseeds is projected at 31 million MT.

Production continues to be hampered by an extended drought that has gripped many regions of the country, particularly the northern states. Many Mexican farmers were forced to delay planting the spring-summer crop for two months last year because of the extreme dry conditions. SAGAR projects that total production of corn, rice, beans, and wheat is expected to grow by 1.2% at most in 1999.

A recent study by the Environmental Cooperation Commission (ECC) said Mexico could face difficulties in boosting corn production significantly because techniques used by many small-scale and subsistence farmers encourage land erosion. An estimated 15 million to 18 million Mexicans are involved in corn production, cultivating some 8.8 million hectares annually.

But the ECC, created under the auspices of the North American Free Trade Agreement (NAFTA), also cautioned that any push to seek more productive seed could come at the expense of the rich genetic diversity found in Mexican corn. Large companies like Asgrow, Aspros, Cargill, DeKalb, and Pioneer are supplying an increasing share of Mexican corn seed. Small-scale and subsistence farmers, who account for 40% of Mexican corn production, are more likely to use the 41 native corn varieties.

The ECC warned that Mexico could face a "genetic erosion" in corn unless the government creates a mechanism to convert small-scale producers into caretakers of the native corn varieties.

Sugar producers seek increased access to US market

Mexico's largest sugar-producers organization has launched a new campaign to link imports of US high-fructose corn syrup to Mexican sugar exports to the US market. In early April, the Union Nacional de Productores de la Cana (UNPC) and its parent organization, the Confederacion

Nacional Campesina (CNC), said sugar millers from the 15 largest producing states will lobby President Ernesto Zedillo's administration to push the US to allow reciprocity between exports of Mexican sugar and imports of US corn syrup.

The Zedillo administration had already proposed a similar plan in April 1998 (see SourceMex, 1998-04-01). To protect its sugar industry, the US has imposed import quotas for all producing countries. During NAFTA negotiations, Mexican trade officials failed to negotiate an immediate end to US restrictions on Mexican sugar in the initial years of the agreement. As a result, the US quota for Mexican sugar remains at 25,000 MT this year. But the quota is scheduled to increase to at least 250,000 MT.

Even with the greater opening of the US sugar market, Mexican and US officials are embroiled in a dispute on the interpretation of a NAFTA side agreement on sugar. The US contends that NAFTA provisions set the quota for 2000 at 250,000 MT. But the Zedillo administration contends that the agreement allows Mexico to export all its excess production to the US market. CNC president Francisco Castro Gonzalez said the governors of 15 states, including prospective presidential candidate Miguel Aleman of Veracruz, are urging the Zedillo administration to demand that the US link its import quota for Mexican sugar to the amount of US corn syrup exported to Mexico.

"Mexican sugar millers are not calling for the government to impose restrictions on US syrup," said Castro Gonzalez. "We just want Mexican sugar to obtain the same access to the US market that high-fructose syrup has to the Mexican market."

US food processors have resisted Mexican efforts to impose import restrictions, arguing that corn syrup and sugar are totally different products (see SourceMex, 1998-03-04). The Zedillo administration has not released any projections on imports of high-fructose corn syrup for this year. But the CNC has projected imports in 1998-1999 at about 400,000 MT, an increase of about 50,000 MT from the previous year.

In late February, the CNIAA forecast the Mexican sugar- cane harvest for 1998-1999 at 4.7 million MT, compared with about 5.2 million MT in 1997-1998. In both years, production surpassed domestic demand by at least 1 million MT, forcing the sugar industry to export its product to other countries at prices below the cost of production. The Camara Nacional de la Industria Alcohólica y Azucarera (CNIAA) projects US corn-syrup imports will displace about 600,000 MT of sugar on the Mexican domestic market. The reduced market for domestic sugar has forced millers to store the excess supply at a cost of about US\$800 million, said CNIAA president Alberto Santos de Hoyo.

Colombian coffee group asks Mexico to limit exports

Colombian coffee producers are urging Mexican counterparts to reduce exports this year to allow international prices to recover. In mid-April, Colombia's Federacion Nacional de Cafetaleros urged Mexican producers to store green coffee beans instead of placing them on the export market. The Colombian coffee federation appealed directly to Mexican producer organizations because Mexico has chosen to remain independent from the Association of Coffee Producing Countries.

"In the same way that Mexico is holding back exports of crude oil, we appeal to producers to limit supplies of coffee," said Sergio Arturo Escobar, director of Colombia's trade office in Mexico City. Escobar, who also represents the interests of Colombian coffee producers in Mexico, said coffee producers must make a quick decision to restrict supply or face a constant erosion of international

prices this year. He said many key producing countries, particularly Brazil, are contributing to the global oversupply by increasing production levels.

Mexico, the world's fourth-largest coffee producer, has forecast exports at 3 million 60-kg bags for the 1998-1999 season, a decline of about 900,000 bags from the previous year. Coffee exports for October-February, the first five months of the 1998-1999 marketing year, had reached only 1.66 million bags, compared with slightly more than 2 million bags in the same period a year ago.

Alfredo Moises Ceja, president of the Consejo Mexicano del Cafe (CMC), said the export decline is attributed primarily to lower production, which resulted largely from a severe drought in key coffee-producing areas last year. The CMC has forecast the 1998-1999 coffee crop at 4.3 million 60- kg bags, compared with 4.8 million bags the previous year. (Sources: Reuters, 01/20/99, 02/17/99, 02/18/99, 03/05/99, 03/23/99; La Jornada, 03/26/99, 04/05/99; El Financiero International, 04/12/99; Excelsior, 04/06/99, 04/13/99; El Economista, 04/19/99)

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